

Message Text

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PAGE 01 MOGADI 00740 251053Z

21

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FM AMEMBASSY MOGADISCIO

TO SECSTATE WASHDC 1888

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TAGS: BPRO SO

SUBJ: EXIMBANK GUARANTEE ON SALE TO SOMALSUUF

REF: STATE 088960; STATE 105687

1. GENERAL GSDR POLICY OF RESTRICTING EMBASSIES' LOCAL CONTACTS HAS IMPEDED OUR INQUIRIES ABOUT SOMALSUUF, WHICH IS RECENTLY-FORMED GOVERNMENT AGENCY FOR GROWING AND GINNING COTTON, JOINTLY OWNED BY THREE GOVERNMENT AGENCIES: AGRICULTURAL DEVELOPMENT CORPORATION, SOMALI SAVINGS AND CREDIT BANK, AND SOMALTEX. LATTER RUNS THE ONLY TEXTILE MILL IN SOMALIA, AND HAS A PRIMARY CONCERN WITH LOCAL COTTON GROWING AND GINNING AS DOMESTIC SOURCE OF RAW MATERIEL FOR ITS MILL. 1972-73 FIGURES INDICATE THAT SOMALTEX HAD TO IMPORT ABOUT 75 PERCENT OF COTTON SUPPLY, WITH ONLY ABOUT 25 PERCENT PRODUCED LOCALLY.

2. EMBASSY CONTACTED HEAD OF SOMALTEX, WHO SAYS HE SPEAKS ALSO FOR SOMALSUUF. HE REPORTS THAT FINAL AUTHORIZATION BY GSDR TREASURY FOR SOMALSUUF TO BUY MACHINERY NOT YET GIVEN, BUT HE HOPES AND BELIEVES FAVORABLE DECISION WILL COME SOON.

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PAGE 02 MOGADI 00740 251053Z

3. EMBASSY NOT IN A POSITION TO JUDGE TECHNICAL FEASIBILITY OF

PARTICULAR COTTON GROWING OR GINNING ENTERPRISE, OR SUITABILITY OF PARTICULAR U.S. EQUIPMENT THEREFOR. HOWEVER, GENERAL IDEA OF INCREASED DOMESTIC COTTON PRODUCTION TO SUPPLY TEXTILE MILL MAKES VERY GOOD SENSE. SELF-SUFFICIENCY IN COTTON FIBER IS A WORTHWHILE AND APPARENTLY PRACTICAL IMPORT SUBSTITUTION GOAL.

4. SOMALIA IS ON UN LIST OF 25 LEAST DEVELOPED COUNTRIES, BUT HAD A RELATIVELY GOOD BALANCE OF PAYMENTS POSITION TILL MID-73, DUE TO CONSIDERABLE FOREIGN AID FROM A WIDE VARIETY OF DONORS. FOREIGN AID MAY REASONABLY BE EXPECTED TO CONTINUE. IN LATE 73, HOWEVER, THE COUNTRY WAS HARD HIT BY INCREASED PRICES OF NECESSARY FOOD AND OIL IMPORTS. NEVERTHELESS, CONSIDERING RELATIVELY MODEST MAGNITUDE OF PROPOSED PURCHASE, AND INTRINSIC DESIRABILITY OF AGRICULTURAL DEVELOPMENT TOWARD SELF-SUFFICIENCY IN FOOD AND FIBERS, WHICH IS IN FACT THE FIRST PRIORITY GOAL UNDER THE CURRENT FIVE-YEAR PLAN, THERE IS GOOD REASON TO BELIEVE GSDR COULD AND WOULD SERVICE DEBT FOR THIS TYPE OF PURCHASE.

5. PROPOSED PURCHASE PROVIDES AN EXCELLENT OPPORTUNITY FOR U.S., WHILE HELPING ITS OWN EXPORTS, TO ALSO HELP SOMALIA, A VERY POOR COUNTRY MAKING SIGNIFICANT EFFORTS TO HELP ITSELF IN CLEARLY IMPORTANT AGRICULTURAL SECTOR OF ITS ECONOMY. POLITICALLY, EXIMBANK COOPERATION ON SUCH A PURCHASE WOULD TEND TO BENEFIT OUR OTHERWISE SOMEWHAT STRAINED BILATERAL RELATIONS WITH SOMALIA. STRAINS DERIVE FROM GSDR RELIANCE ON SOVIET ARMS SUPPLIES TO STRENGTHEN ITS IRREDENTIST CLAIMS AGAINST ETHIOPIA, AND FROM DOMESTIC POLICY OF "SCIENTIFIC SOCIALISM" AND RELATED "ANTI-IMPERIALIST" ATTITUDES. ALSO, IN 1970, IT WAS REQUIRED UNDER U.S. LAW TO CEASE INITIATION OF ANY NEW AID PROJECTS BECAUSE OF SOMALI FLAG SHIPS TRADING WITH CUBA. PREVIOUSLY-STARTED AID PROJECTS CONTINUED, AND ONE OF THEM STILL HAS MONEY FLOWING IN THE PIPELINE.

6. IN VIEW OF POLITICA STRAINS INDICATED ABOVE, AND IN NEAR ABSENCE OF OTHER U.S. PROGRAMS OF ASSISTANCE, IT WOULD BE HELPFUL POLITICALLY IF A USG AGENCY COULD BE OF ASSISTANCE TO A CLEARLY BENEFICIAL, AND NON-CONTROVERSIAL AGRICULTURAL PROJECT IN WHICH SOMALIS ARE MAKING AN IMPORTANT EFFORT TO HELP THEMSELVES.

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PAGE 03 MOGADI 00740 251053Z

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